



## **Subordination Process For CalHFA Junior Loans**

Recent legislation has enabled CalHFA to permit the subordination of existing CalHFA junior loans if homeowners meet certain eligibility requirements. The purpose of this legislation is to help existing homeowners keep their homes by allowing them to take advantage of refinancing their existing first mortgage and not be forced to pay off their existing CalHFA junior loan(s). Homeowners must have demonstrated hardship and be refinancing their first mortgage to avoid foreclosure. To be eligible, all of the following minimum requirements must be met:

- The borrower has a demonstrated hardship,
- Subordination is required to avoid foreclosure, and
- The new first mortgage loan must meet Agency loan requirements

Eligible CalHFA junior loans include the following:

- California Homebuyer's Downpayment Assistance Program (CHDAP)
- CalHFA Housing Assistance Program (CHAP)
- High Cost Area Home Purchase Assistance Program (HiCAP)
- Extra Credit Teacher Program (ECTP)
- Homeownership in Revitalization Area Program (HIRAP)

\*Homeowners with a Keep Your Home California (KYHC) junior loan should contact KYHC directly at 888.954.5338 or go to [www.keeptourhomecalifornia.org/payoff.htm](http://www.keeptourhomecalifornia.org/payoff.htm) for complete subordination requirements.

### **Subordination Requirements**

The borrower must meet CalHFA's new first mortgage loan, hardship and foreclosure avoidance requirements and property eligibility criteria listed below.

#### **New First Mortgage Loan Requirements:**

- The loan must be underwritten and approved by the originating lender in accordance with loan programs that refinance the unpaid principal balance of the existing first mortgage loan (no-cash-out refinance).
- The new first loan must lower the borrower's mortgage payment or replace the existing first loan with a more stable product.

**CalHFA Hardship Requirements:**

- The financial hardship must be explained and documented by the borrower. Examples of financial hardship include, but are not limited to:
  - Temporary unemployment has caused a significant delinquency or new employment has resulted in less monthly income.
  - Employer reduced borrower's pay (Overtime eliminated, regular hours or base pay reduced).
  - One of the borrower's or wage earner's incomes has been reduced or eliminated due to involuntary job loss, death, incarceration, divorce or separation.
  - One of the borrower's or wage earner's incomes has been eliminated or reduced as a result of suffering a permanent or short-term disability or serious illness.
  - Self-employed borrower has suffered a documented decline in business earnings.
  - An increased monthly payment on an existing first loan is beyond that which the borrower can reasonably afford.

Examples of acceptable documentation include, but are not limited to: Current pay stubs, two years of W-2's, two years of Federal tax returns, unemployment notices, EDD Benefits Letter, letter from employer, legal divorce or separation papers, etc.

**Foreclosure Avoidance Requirements**

Borrower(s) must meet one or more of the following requirements:

- Using one of the following first mortgage refinance programs designed to avoid foreclosure: Fannie Mae's Refi Plus, FNMA DU Refi Plus or Freddie Mac's Relief Refinance Mortgage.
- 1<sup>st</sup> Mortgage currently delinquent more than 60 days.
- Insufficient funds to pay off existing CalHFA junior loan balance and still maintain sufficient reserves in savings accounts (Two months of PITI).
- Lower payment to a more sustainable housing debt-to-income ratio of between 31– 36%.

**Property Eligibility Criteria**

- The property must be the borrower's principal residence.

**Submission Documentation**

Requests for subordination of existing junior loan(s) must be submitted to CalHFA in the following stacking order: (see attached Subordination Submission Checklist)

- Request for Subordination of CalHFA junior loans (See attached Application for Subordination).

- Uniform Underwriting and Transmittal Summary (1008), FHA Loan Underwriting and Transmittal Summary (HUD 92900-LT) or VA Loan Analysis as applicable for the new loan (Must be signed by underwriter and include CHUMS # for FHA)
- Uniform Residential Loan Application (1003) complete with borrower financial information. (Signed by borrower(s) )
- Borrower's written and signed hardship and foreclosure avoidance explanation and supporting documentation.
- Copy of credit report.
- Two months of current bank statements (all pages).
- Borrower's most recent mortgage account statement
- Copy of the existing 1<sup>st</sup> mortgage promissory note.
- Copy of recorded Junior Loan Deed of Trust.
- Copy of preliminary title report.

CalHFA reserves the right to request additional documentation as deemed appropriate.

**Submit application and required documents to:**

Regular Mail:

CalHFA  
Single Family Lending – Special Programs – MS 130  
P.O. Box 4034  
Sacramento, CA 95812-4034

Overnight/Courier:

CalHFA  
Single Family Lending – MS 130  
1040 Riverside Parkway, Ste. 110  
West Sacramento, CA 95605

Upon receipt of a completed package, CalHFA will:

- Review for compliance with CalHFA Loan Subordination Underwriting Guidelines.
- Send final decision to lender listed on application form.
- Send an original executed and notarized Subordination Agreement and Escrow Instructions to the Escrow Company if application is approved. This document will be sent regular mail unless a self-addressed/prepaid overnight courier service label is provided in application package.

**Questions:**

Please contact Single Family Special Programs at 916.373.2530



**SUBMIT ENTIRE SUBORDINATION FILE TO:**

CalHFA Single Family Lending – Special Programs – MS 130  
**Regular Mail:** P. O. Box 4034 • Sacramento • CA • 95812-4034  
**Overnight/Courier:** 1040 Riverside Pkwy, Ste. 110 • West Sacramento • 95605  
Phone (916) 373-2530

**APPLICATION FOR SUBORDINATION**  
Please complete all sections of this form

**CalHFA JUNIOR LOAN # (s)** \_\_\_\_\_

**BORROWER NAME(S):** \_\_\_\_\_

**PROPERTY ADDRESS:** \_\_\_\_\_

**LENDER NAME** \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_

**ESCROW CO.** \_\_\_\_\_

**LENDER ADDRESS** \_\_\_\_\_

**ADDRESS** \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_

**CONTACT NAME** \_\_\_\_\_

**ESCROW OFFICER** \_\_\_\_\_ **ESCROW #** \_\_\_\_\_

**PHONE NUMBER** ( ) \_\_\_\_\_

**PHONE NUMBER** ( ) \_\_\_\_\_

**FAX NUMBER** ( ) \_\_\_\_\_

**FAX NUMBER** ( ) \_\_\_\_\_

**EMAIL ADDRESS** \_\_\_\_\_

**EMAIL ADDRESS** \_\_\_\_\_

**LEGAL STATEMENT**

Lender acknowledges that this application and documents submitted to CalHFA Homeownership Loan Administration Special Programs represents and/or warrants the correctness and completeness of all statements and information contained in such documents.

Signature of lender's authorized representative:

\_\_\_\_\_  
Signature Date

( ) \_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
Print name

( ) \_\_\_\_\_  
Fax Number



# Subordination Submission Checklist

SUBMIT COPIES ONLY – PLEASE SUBMIT IN THIS STACKING ORDER

## FILE ORDER

Left Side	Right Side
<input type="checkbox"/> Application for Subordination  *Only one application is required when applying for subordination of one or more CalHFA junior loans. List all CalHFA junior loan #s on application.	<input type="checkbox"/> Uniform Underwriting and Transmittal Summary (1008), FHA Loan Underwriting and Transmittal Summary (HUD 92900-LT) or VA Loan Analysis as applicable for the new loan (Must be signed by underwriter and include CHUMS # for FHA Loans)
<input type="checkbox"/> Self Addressed/Prepaid overnight courier service label/envelope  If application is approved, Subordination Agreement and Escrow Instructions will be sent by regular mail to the Title Company if overnight courier service label/envelope is not provided in package.	<input type="checkbox"/> Uniform Residential Loan Application (1003) complete with borrower financial information (Signed by borrower(s))
	<input type="checkbox"/> Borrower's written signed and dated hardship letter and foreclosure avoidance explanation with supporting documentation to verify hardship. Documentation supporting hardship <b>must not</b> be more than 90 days old as of the date of program eligibility.*
	<input type="checkbox"/> Credit Report
	<input type="checkbox"/> Two months of current Bank Statements (all pages)
	<input type="checkbox"/> Copy of the existing 1 <sup>st</sup> mortgage promissory note(s)
	<input type="checkbox"/> Copy of recorded Junior Loan Deed of Trust(s)
	<input type="checkbox"/> Borrower's most recent mortgage account statement for existing loan
	<input type="checkbox"/> Preliminary Title Report

\* Examples of acceptable documentation include but are not limited to: Current pay stubs, two years of W-2's, two years of Federal tax returns, unemployment notices, EDD Benefits Letter, letter from employer, legal divorce or separation papers, etc.

Subordination requests will be reviewed for final approval upon receipt of a completed package, which contains all the required documents. Delivery of incomplete and/or fraudulent information may result in processing delays.

**Note:** This check list represents the minimum documents required for CalHFA approval. Other documents may be required by underwriter/reviewer.